

PSJ3

Exhibit 574

Coffman, Cheryl

From: McPherson, Carolyn
Sent: Wednesday, July 29, 2009 8:47 AM
To: Reardon, Steve
Subject: Boston status meeting 8AM

Will be back around noon today
Michael call with them changed to 1PM today

Michael spoke with his "usual DEA contact" last evening

Chains – she acknowledged we did disclose how we are handling chains. She thought we were going to be doing visits to stores. MM reminded her of reason they are different – have their own Loss Prevention system, therefore we partner with them. She agreed that was the discussion

Reviewed the request for "high" threshold customers – MM explained that each customer is customized and what might appear high is actually appropriate – gave Caremark mail order example – she agreed.

Asked about the time and level of detail on this audit. She indicated that this is Arpaio's style.

She also indicated that the deeper dive on this audit is due to the Valencia situation on the initial audits – there will be 5 more like this (not on their current workplan of standard audits)

Carolyn McPherson
Director, Quality & Regulatory Affairs
Supply Chain Services
Cardinal Health
7000 Cardinal Place
Dublin, OH 43017
Office: 614-757-7169
Cell: 614-893-5280
Fax: 614-652-7486

Coffman, Cheryl

From: McPherson, Carolyn
Sent: Tuesday, July 28, 2009 6:23 PM
To: Reardon, Steve
Subject: Boston DEA status

- Security check done – went fine
- Arpaio still pushing on chain due diligence
- Call scheduled for 10AM tomorrow with Michael to explain the following to Arpaio:
 - ❖ Asked for high threshold customers across all families – will discuss appropriate threshold setting – none “high”
 - ❖ Chain due diligence with HQ and continuing interaction with the HQ group and do inspections as necessary
 - ❖ Sales visits – why they happen, what they provide
 - ❖ Why no suspicious orders have been reported for the Boston DC to DEA
- Interviewed Rich – went fine
- Stared interviews with pickers and keyers – so far so good
- Asking about how many customers QRA has reviewed for new setups (answer is all); how many have we denied. Mark told Rich/Elaine to be sure to indicate that Sales is the initial inspection – they now do not submit customers for setup that are obviously inappropriate. The denials upon QRA review are fewer but do happen based on additional info QRA may have access to that Sales does not.
- Elaine/Rich indicated that Arpaio doesn't believe the sales visits have any investigatory value – Mark asked them to provide the red flag cards to Arpaio.

Still not providing any indication when they will wrap up.

I believe there may be another status call for 8AM tomorrow.

Carolyn McPherson
Director, Quality & Regulatory Affairs
Supply Chain Services
Cardinal Health
7000 Cardinal Place
Dublin, OH 43017
Office: 614-757-7169
Cell: 614-893-5280
Fax: 614-652-7486

Coffman, Cheryl

From: Mone, Michael
Sent: Tuesday, July 28, 2009 11:15 AM
To: Hartman, Mark (Corp); McPherson, Carolyn; Rausch, Nicholas; Rogers, Shaun P; Ortins, Rich; Trautman, Elaine
Cc: Reardon, Steve; Goldsand, Corey; Bennett, Jeff
Subject: Re: info needed in Boston for DEA

Redacted - Privileged

From: Hartman, Mark (Corp)
To: Mone, Michael; McPherson, Carolyn; Rausch, Nicholas; Rogers, Shaun P; Ortins, Rich; Trautman, Elaine
Cc: Reardon, Steve; Goldsand, Corey; Bennett, Jeff
Sent: Tue Jul 28 11:12:42 2009
Subject: RE: info needed in Boston for DEA

Redacted - Privileged

From: Mone, Michael
Sent: Tuesday, July 28, 2009 10:57 AM
To: McPherson, Carolyn; Rausch, Nicholas
Cc: Reardon, Steve; Hartman, Mark (Corp)
Subject: Re: info needed in Boston for DEA

Mark or I can take the chain answer for Mike

Barbara knows that we approach chains differently in that the know your customer piece is a proprietary inquiry of their own internal anti diversion initiatives that is collaborative with cardinal health.

We communicate with an independent internal chain structure that allows for greater objectivity than with a retail independent. The collaborative relationship does not involve an abdication of our obligation (as Mike is aware in the K Mart example in Washington state) as we retain the obligation and ability to cease shipments when we believe there are facts to warrant

Michael

From: McPherson, Carolyn
To: Rausch, Nicholas
Cc: Mone, Michael; Reardon, Steve; Hartman, Mark (Corp)
Sent: Tue Jul 28 10:49:44 2009
Subject: info needed in Boston for DEA

Nick -- request for info for Boston audit DEA below. Of particular concern is #5.

1. Customers with high threshold limits on any controls -- Rich and Elaine are asking for more clarification on this -- too vague
2. List of customers that we have denied controlled substance purchases -- either new accounts or existing account cut offs.
3. On the list of Sales rep visits we provided -- are these the result of a red flag? -- what prompted the visit?
4. Are there currently any pending QRA site investigations for Boston customers?

5. Did we do any due diligence on any chain store? Did we go on any visits to a chain store? Nothing was provided in the due diligence files sent to them on the chain stores for those listed in the top 25 customers. **Arpaio is concerned that if we didn't, he may have to talk to the attorney to see if there was any agreement with DEA on chains to do them differently.**

Carolyn McPherson
Director, Quality & Regulatory Affairs
Supply Chain Services
Cardinal Health
7000 Cardinal Place
Dublin, OH 43017
Office: 614-757-7169
Cell: 614-893-5280
Fax: 614-652-7486

Coffman, Cheryl

From: Rausch, Nicholas
Sent: Tuesday, July 28, 2009 1:59 PM
To: McPherson, Carolyn; Ortins, Rich; Trautman, Elaine
Cc: Mone, Michael; Reardon, Steve; Hartman, Mark (Corp)
Subject: RE: info needed in Boston for DEA
Attachments: Boston DC DEA Requests - 2009 07 28.xls

Rich & Elaine,

Update on the DEA requests:

1. Pending Michael's conversation...
2. Attached is a list of accounts closed by QRA and controlled substance sales discontinued. This list goes back beyond 9/30/08 (no accounts closed since that time). There are not any instances where new Boston accounts have not been approved due to red-flag indicators.
3. We do not capture in the responses what the catalyst was for Sales to conduct their visit. It could be as a result of identification on the Highlight Report, identification in the 'Top 25' for that DC, or a routine scheduled quarterly visit.
4. There are no pending Retail QRA visits for Boston accounts.
5. Pending Michael's conversation...refer to Hannaford Food & Drug #109 for a specific reference point.

Thanks,

Nicholas Rausch
Manager, Regulatory Management
Cardinal Health
7000 Cardinal Place
Dublin, Ohio 43017
614-757-3148 tel
614-652-8781 fax

From: McPherson, Carolyn
Sent: Tuesday, July 28, 2009 10:50 AM
To: Rausch, Nicholas
Cc: Mone, Michael; Reardon, Steve; Hartman, Mark (Corp)
Subject: info needed in Boston for DEA
Importance: High

Nick – request for info for Boston audit DEA below. Of particular concern is #5.

1. Customers with high threshold limits on any controls – Rich and Elaine are asking for more clarification on this – too vague
2. List of customers that we have denied controlled substance purchases – either new accounts or existing account cut offs.
3. On the list of Sales rep visits we provided – are these the result of a red flag? – what prompted the visit?
4. Are there currently any pending QRA site investigations for Boston customers?
5. Did we do any due diligence on any chain store? Did we go on any visits to a chain store? Nothing was provided in the due diligence files sent to them on the chain stores for those listed in the top 25 customers. Arpaio is concerned that if we didn't, he may have to talk to the attorney to see if there was any agreement with DEA on chains to do them differently.

Carolyn McPherson
Director, Quality & Regulatory Affairs
Supply Chain Services
Cardinal Health
7000 Cardinal Place
Dublin, OH 43017
Office: 614-757-7169
Cell: 614-893-5280
Fax: 614-652-7486

Coffman, Cheryl

From: Whidden, Andy
Sent: Thursday, July 30, 2009 10:29 AM
To: Reardon, Steve; McPherson, Carolyn
Subject: FW: Thank You

Not sure if you received. Nice note.

Elaine and Rich were great!

Andy Whidden
Director, Quality & Regulatory-HSCS
Northeast & Ohio Valley Regions
845-457-2106 (Office)
845-699-0231 (Cell)

From: Ortins, Rich
Sent: Thursday, July 30, 2009 10:14 AM
To: Whidden, Andy; Bennett, Don
Subject: FW: Thank You

FYI. Nice note.

Rich Ortins
QRA Compliance Officer
Cardinal Health ~ SCS-Boston Division
Tel: (978) 977-2392
Fax: (978) 532-8252

From: Morford, Craig
Sent: Thursday, July 30, 2009 10:11 AM
To: Trammell, Russell; Bahnick, Jeff; Rogers, Shaun P; Ortins, Rich; Trautman, Elaine; Mone, Michael; Rausch, Nicholas
Cc: Hartman, Mark (Corp); Kaufmann, Mike; Barrett, George; Henderson, Jeff
Subject: Thank You

Redacted - Privileged

Thank you for a job very well done.

Craig Morford
Chief Legal and Compliance Officer
Cardinal Health
614.757.7295

Shawn Rogers

Gary C. Ingold
VP Operations - East Region
Pharmaceutical Operations
Telephone: (410) 317-4160
Fax: (410) 317-4194

-----Original Message-----

From: Rogers, Shaun P
Sent: Thursday, July 30, 2009 9:12 AM
To: Barr, David; Bedgood, Harry; Coltharp, Tom; Hooper, Jeff; McBride, Scott; Pfeiffer, Chris
Cc: Ingold, Gary
Subject: FW: Boston DEA
Importance: High

Team,

Wanted to give you a quick heads up on the DEA Cyclical audit Boston just endured for 7 business days. No significant issues were noted, and no report will be provided.

The good news is that we do have some detail around future reviews that will be shared with the CO's in the region.

Notes to Share now:

- DEA concerned that invoices are not in a concealed packet; drivers can get a listing of items in a tote
- Using unexplained variance on a 106 is not a preferred method, would like us to fit it into one of the categories, i.e. theft
- Do more extensive investigations on items that you see a monthly pattern of adjustments or 106's on
- We should look into a new carrier if we have too many thefts with one
- Cage/Vault access list was too large, recommended we cut it down by a lot.
- Training seems to be progressing along, but needs to continue
- DEA wants us to keep items with same NDC (API or CVS items) in close proximity for ease of counting
- Concerned about how we do our due diligence for Chains (We could not provide files for CVS)
- All reporting was for top 25 customers (volume not \$\$) for controls or top 25 items (Volume not \$\$)
- All reporting was requested to be pulled by the Anti Diversion team in Dublin
- Major focus on SOM and how the program works
- Major focus on Training our associates on SOM and making sure they have the ability to raise their hand and block an order
- Interviewed front line associates and wanted them to recite dates of training and media received on (also do they feel it is good or enough training)
- Discussions on our nightly team huddles and reviewing the large order report
- Asked for data on Anti Diversion team's audits, local QRA audits, and sales team audits.
- Reviewed number of items of interest reported by employees and number of threshold events
- Concerned that with all the events in New England we have not reported a suspicious order to the DEA (very stuck on this one)
- Michael Mone had conference call with the DEA to discuss many of their concerns about the above SOM or Anti Diversion questions

Shaun

- 1/08 222 form for methadone shipment only, shipped oxycotin on the blank, agent originally wanted review back to 9/30/08, did not find anything and went back to January, 2008
- Implemented system control to prevent this situation from reoccurring
- Reviewed 1 month of 222's, May 2009

Cage-Vault Access list

- Requested back ground information for all individuals on the list. This included maiden names for female employees- A little difficult to get this information
- Felt the size of the list was too large, would prefer a smaller portion of EE's to be on the list.

See attached list for document requests

SOM-KYC

Reports/Questions:

- Top 25 by drug family
 - Top 25 purchasers
 - Top 5 doctors offices
- Samuels Drugs-Not certain the issue here
- Thresholds, highest threshold accounts
- Why do you increase thresholds
- Thresholds are established by customer, so none of the threshold were "high"
- No reports to DEA of suspicious orders out of Boston- agent seemed concerned about no reports.
- List of orders held for Peabody since 9/30/08- 258

Due Diligence files:

- Customer Visits
 - CO's visits
 - QRA visits
 - Reinforce Sales rep role in Due Diligence and Account review and approval
 - Dendrite visits
- New Customers- # and # that were rejected
- Number of suspicious orders reported out of Boston

Chain Drug Stores

- Chain Drug store due diligence files- did not understand different process for chains
- Requested Due Diligence files for 3 CVS stores

Training Files

- LMS reports, for training records for Anti-Diversion and SOM
- Requested Power Point training materials, and blank rosters and tests
- Number of training events, and length of time of the training
- Copies of Wallet Cards for Sales and OPS
- "Training is progressing"

EE interview

- Key employees that work in Cage and Vault
- Both Shifts interviewed
- Three agents with 1 EE and 1 mgt representative
- Conducted in an office
- Questions:

- How long with CAH
- Have you received training on Anti-Diversion and SOM
- When did you receive the training
- Who performed the training
- Did you think the training was effective- Did you think the training was adequate
- How long did the training last
- Do you stock orders- how many do you stock
- What do you do when you have a large order?
- What happens after you identify a large order?

Miscellaneous Questions:

- Where are list 1 chemicals stored?
- Questions about driver security- response- wear vests and are escorted

Coffman, Cheryl

From: Hartman, Mark (Corp)
Sent: Thursday, July 30, 2009 7:08 AM
To: Morford, Craig; 'mike.kaufman@cardinal.com'; Giacomini, Jon; Falk, Steve; Goldsand, Corey; Bennett, Jeff; 'Jodi.Avergun@cwt.com'; Mone, Michael; Reardon, Steve
Subject: Attorney-Client privilege- Boston

Team

Redacted - Privileged

Mark

Coffman, Cheryl

From: Ortins, Rich
Sent: Tuesday, July 28, 2009 5:23 PM
To: Rausch, Nicholas; McPherson, Carolyn; Trautman, Elaine
Cc: Mone, Michael; Reardon, Steve; Hartman, Mark (Corp)
Subject: RE: info needed in Boston for DEA

The third account on the attachment says "NJ." Is that a misprint or should this account be omitted from the spreadsheet (not a Boston account).

Also, DEA would like to have the files on these accounts with information on why we closed them, when, etc. (Due diligence documents).

Thanks.

Rich Ortins

QRA Compliance Officer
Cardinal Health ~ SCS-Boston Division
Tel: (978) 977-2392
Fax: (978) 532-8252

From: Rausch, Nicholas
Sent: Tuesday, July 28, 2009 1:59 PM
To: McPherson, Carolyn; Ortins, Rich; Trautman, Elaine
Cc: Mone, Michael; Reardon, Steve; Hartman, Mark (Corp)
Subject: RE: info needed in Boston for DEA

Rich & Elaine,

Update on the DEA requests:

1. Pending Michael's conversation...
2. Attached is a list of accounts closed by QRA and controlled substance sales discontinued. This list goes back beyond 9/30/08 (no accounts closed since that time). There are not any instances where new Boston accounts have not been approved due to red-flag indicators.
3. We do not capture in the responses what the catalyst was for Sales to conduct their visit. It could be as a result of identification on the Highlight Report, identification in the 'Top 25' for that DC, or a routine scheduled quarterly visit.
4. There are no pending Retail QRA visits for Boston accounts.
5. Pending Michael's conversation...refer to Hannaford Food & Drug #109 for a specific reference point.

Thanks,

Nicholas Rausch
Manager, Regulatory Management
Cardinal Health
7000 Cardinal Place
Dublin, Ohio 43017
614-757-3148 tel
614-652-8781 fax

From: McPherson, Carolyn
Sent: Tuesday, July 28, 2009 10:50 AM
To: Rausch, Nicholas
Cc: Mone, Michael; Reardon, Steve; Hartman, Mark (Corp)
Subject: info needed in Boston for DEA
Importance: High

Nick — request for info for Boston audit DEA below. Of particular concern is #5.

1. Customers with high threshold limits on any controls — Rich and Elaine are asking for more clarification on this — too vague
2. List of customers that we have denied controlled substance purchases — either new accounts or existing account cut offs.
3. On the list of Sales rep visits we provided — are these the result of a red flag? — what prompted the visit?
4. Are there currently any pending QRA site investigations for Boston customers?
5. Did we do any due diligence on any chain store? Did we go on any visits to a chain store? Nothing was provided in the due diligence files sent to them on the chain stores for those listed in the top 25 customers. **Arpaio is concerned that if we didn't, he may have to talk to the attorney to see if there was any agreement with DEA on chains to do them differently.**

Carolyn McPherson
Director, Quality & Regulatory Affairs
Supply Chain Services
Cardinal Health
7000 Cardinal Place
Dublin, OH 43017
Office: 614-757-7169
Cell: 614-893-5280
Fax: 614-652-7486